

**CAPITAL PROJECTS ADVISORY REVIEW BOARD
PROJECT REVIEW COMMITTEE**

**Northwest Carpenters Facility
25120 Pacific Highway South
Kent, Washington
May 28, 2009
9:00 AM**

Draft Minutes

MEMBERS PRESENT

Charles Davis, Evergreen Healthcare	Phil Lovell, Vice Chair, Turner Construction NW
Dave Marberg, University of Washington (UW)	Mike Shinn, Shinn Mechanical
Eric Smith, Chair, UW	Darron Pease, Pease & Sons, Inc.
Darlene Septelka, Landon Construction Group	Paul Berry, Harris & Associates
Penny Koal, Department of General Administration (GA)	Rick Benner, Western WA University WWU)
Don Gillmore, Seattle Public Schools	Fred Tharp, WA State Department of Transportation (WSDOT)
Gary Arndt, P.E., Parametrix	Frank Abart, Whatcom County
Keith Schreiber, AIA, Schreiber Starling & Lane Architects	Mark Scoccolo, SCI Infrastructure LLC
Tom Peterson, Hoffman Construction Co. of WA	Linneth Riley-Hall, City of Seattle
Rodger Benson, MA Mortenson Company	Bill Kemble, WA State Bldg. & Const. Trades Org.
Tom Balbo, Ferguson Construction, Inc.	

MEMBERS ABSENT

Christy Trautman, King County	Dan Chandler, PE, AIA, Olympic Associates Co.
Juan Huey Ray, Office of Minority and Women's Business Enterprises (OWMBE)	Gary Baldasari, AIA
Jonathon Hartung, SHKS Architects	Miriam Israel Moses, Rebound
Peg Staeheli, SvR Design Company	Tony Benjamin, Urban League of Metro Seattle

STAFF, GUESTS, PRESENTERS

Robyn Hofstad, GA	Joe Kunkel, Healthcare Collaborative Group
Nancy Deakins, GA	Mike Day, DAY CPM Services
Cheri Lindgren, Puget Sound Meeting Services	Neil Brown, DAY CPM Services
Chuck Barnes, Kennewick General Hospital	Steve Kolberg, Petersen Kolberg Architects
Greg Guedel, Foster Pepper PLLC	

Welcome & Introductions

Chair Eric Smith called the Capital Projects Advisory Review Board (CPARB) Project Review Committee (PRC) meeting to order at 9:08 a.m. Everyone present provided self-introductions.

Approve Agenda

Tom Peterson moved, seconded by Paul Berry, to approve the agenda as presented. Motion carried.

Approval of February 26, 2009 and March 26, 2009 Meeting Minutes

Dave Marberg moved, seconded by Don Gillmore, to approve the February 26, 2009 and March 26, 2009 minutes as presented. Motion carried.

Public Comments

Members received copies of the current Revised Code of Washington (RCW) Chapter 39.10, *Alternative public works contracting procedures*, and an updated member list. A copy of a project review criteria document was distributed to members.

There were no public comments.

Legislative/CPARB Update

Nancy Deakins reviewed information and outcomes from the CPARB's May 14, 2009 meeting:

- Speaker Chopp replaced Representative Dan Kristiansen with Representative Bruce Dammeier.
- Senator Dale Brandland resigned from the Board after the 2009 session.
- Because of budget constraints, the Board and the PRC will not meet monthly. The CPARB will focus its time preparing for the next legislative session(s) and will meet in September, November, and December 2009, and February, May, September, November, and December 2010. Bi-monthly PRC meetings begin this month for the remainder of 2009. The PRC will continue to meet bi-monthly in 2010 beginning in January. The meeting dates will be posted on the CPARB and PRC website.

Members expressed concerns about the bi-monthly meeting schedule impacting public owners seeking certification and/or project application approvals. In many cases, public owners are looking to advertise immediately following an approval. Staff was asked how public owners will be notified of the revised meeting schedule. Ms. Deakins said the revised meeting schedule will be posted on CPARB's website with a link to the PRC page. An electronic notice of the change to various owner associations could be completed as well.

Mr. Benner commented that there have been cases where owners were denied approval and returned the next month with a revised application for consideration. A three or four-month loss is significant and will impact project schedules.

In response to an inquiry from Mr. Benson on the status of the CPARB, Ms. Deakins replied that Senate Bill (SB) 5995 was revised removing CPARB from the list of state board and/or commissions proposed for elimination.

Chair Smith asked staff to forward an updated PRC meeting schedule through 2010 to members.

Members discussed whether GA could assess a fee for expedited reviews, as it costs approximately \$4,380 for each PRC review panel meeting. Ms. Deakins indicated she'll follow up on the question.

- The Board received an Attorney General's opinion on Housing Authorities. The definition of "public body" in RCW 39.10.210(2) includes public housing authorities.
- The Board extended PRC member terms expiring in June 2009 by six months for Eric Smith, Christy Trautman, Jonathon Hartung, Peg Staeheli, Tom Balbo, and Gary Baldasari. An objective is reappointing members interested in extending their terms and/or appointing new members within the next six months to fill six expiring positions. The Governor's Office expects members to serve until they are replaced.
- A task force led by Norman Strong and John Lynch is evaluating new Alternative Public Works (APW) methodologies including Integrated Project Delivery (IPD) and Best Value (BV). Stakeholders will be invited to participate.
- Ed Kommers, Olivia Yang, and Eric Smith are working on guidelines for the PRC for reviewing Design Build Operate and Maintain (DBOM) applications. Stakeholders will be invited to participate.

- Nancy Deakins, Cynthia Cooper, and Darlene Septelka are leading data collection for the annual Job Order Contracting (JOC) reporting effort. A GA management analyst will take over data collection work. The budget includes funds to complete the analysis and the report by 2010.
- The UW Husky Stadium method evaluation report will be finalized and forwarded to the Legislature.
- CPARB members were asked to prepare a list of issues for discussion and prioritization for the September 2009 meeting.

Mr. Benson asked whether previously identified issues concerning design build are active or will be reintroduced as new topics in September. Ms. Deakins indicated that she's unsure. She encouraged members to forward issues to the appropriate interest organization (owners, general contractors, labor) or to her by email.

- The Board approved amendments to the Design Build (DB) definition for modular.

Ms. Deakins reviewed the outcome of CPARB sponsored 2009 legislation:

- **HB 1195/Senate Bill (SB) 5399 - Payment of undisputed claims.** Requires public owners to issue a change order to contracts for the full amount of additional work not in dispute within 30 days of satisfactory completion of the work by the contractor. After 30 days, interest of 1% per month will accrue on the dollar amount not in dispute. (Effective July 26, 2009.)
- **HB 1196 - Increasing small works roster project dollar limits.** The small works roster dollar limits increased from \$200,000 to \$300,000. The requirement to notify contractors on the roster of quotations being sought when the estimated cost is \$100,000 or more is changed to \$150,000 or more.
- **HB 1197/SB 5397 – Alternative public works bill.**
 - Requires the Board to develop guidelines for the review and approval of DB demonstration projects including operations and maintenance services.
 - Allows for 10 DB projects with a total project cost of \$2 to \$10 million.
 - Allows for two DB projects including procurement of operations and maintenance services for a period longer than three years.
 - Clarifies that public bodies seeking certification for the DB procedure must demonstrate successful management of at least one DB project within the previous five years, and those seeking certification for the General Contractor Construction Manager (GC/CM) process must demonstrate successful management of at least one GC/CM project within the previous five years.
 - Allows honorarium payments to DB finalists submitting “responsive” proposals rather than “best and final.”
 - Requires public bid openings for GC/CM. Scores are available for public review.
 - Allows GA, UW, and WSU to issue JOCs for regional universities and The Evergreen State College (TESC).
- **HB 1198 - Public works bid limits.** Increases day labor limits for higher education, first class cities, second class and code cities, and counties with populations of 1,000,000 or more. For all other counties with populations of 400,000 and under, the limits were raised regardless of the trades involved. Day labor limits were increased for hospital districts, metropolitan park districts (MPDs), and water and sewer districts.
- **HB 1199/SB5396 – Regarding retainage of funds on public works projects.** The bill repeals outdated statutes for retainage of funds on public works projects and applicable to all public works contracts entered into on or after September 1, 1992 relating to the construction of any work or improvement.
- **HB 1200/SB5398 – Expanding to municipalities the ability to negotiate an adjustment to a bid price on public works.** This bill expands authorizations to municipalities to negotiate an adjustment to a bid

price, based upon agreed changes to the contract plans and specifications, with a low responsive bidder under three specific conditions.

Ms. Deakins provided an overview of other bills on public works passing by the Legislature for apprenticeship utilization and addressing the recommendations of the joint legislative task force on the underground economy in the construction industry.

Vice Chair Nomination and Election

Chair Smith reported the PRC is required to elect a new Vice Chair with Mr. Lovell assuming the Chair position in July. He called for volunteers from the public sector. Fred Tharpe and Penny Koal volunteered to serve as Vice Chair.

Chair Smith opened the floor to nominations.

Mr. Benson nominated Dave Marberg. Mr. Marberg accepted the nomination.

Mr. Lovell nominated Chuck Davis. Mr. Davis accepted the nomination.

Ms. Deakins noted the Vice Chair automatically assumes the Chair position the following year.

Chair Smith closed nominations for Vice Chair.

While members casted ballots for Vice Chair, Chair Smith provided an overview of the Chair's responsibilities.

Mr. Lovell urged members to mark the PRC meeting dates on their calendars. It's now more critical to ensure quorums and panels based on the new bimonthly meeting schedule.

Mr. Benson asked that the Chair forward panel assignments to the full membership at the beginning of the month.

Ms. Hofstad and Mr. Lovell tallied the votes for Vice Chair.

Rodger Benson moved, seconded by Darron Pease, to elect Penny Koal as Vice Chair from July 2009 through June 30, 2010. Motion carried.

Set Next Meeting Agenda

The PRC's next meeting is scheduled for July 23, 2009.

Other Business

Ms. Deakins reported the CPARB's role doesn't include policing rogue owners. The Board does not have enforcement authority.

Chair Smith commented that it's up to the public to raise issues.

Mr. Berry asked whether it's appropriate for the PRC or individual members to forward a complaint or notice to the State Auditor's Office. Ms. Deakins advised that it's possible to forward complaints at any time. Mr. Benner suggested adding a question to the application forms about whether the owner demonstrated

compliance with the APW statute on previous project(s). Ms. Deakins offered that it might be appropriate for the Board to notify a public body when the owner is not complying with the process.

Mr. Berry thanked Chair Smith for his leadership over the last two years.

Dave Marberg moved, seconded by Linneth Riley-Hall, to adjourn the meeting at 10:20 a.m. Motion carried.

A quorum of the PRC is no longer present.

Chair Smith convened a panel of the PRC at 10:33 a.m.

Project Application Review for GC/CM - Kennewick Public Hospital District dba Kennewick General Hospital

(Panel Chair Chuck Davis, panel members Don Gillmore, Phil Lovell, Dave Marberg, Darron Pease, and Linneth Riley-Hall). Panel Chair Davis outlined the application review process. Panel members provided self-introductions.

Chuck Barnes reported the Kennewick General Hospital (KGH) is a public district hospital in eastern Washington. The KGH serves a diverse population within its 400-square mile service area. The KGH employs physicians directly. The district operates network clinics across the Tri-City area. The KGH is one of the largest Medicare/Medicaid providers in the Kennewick area.

The project team has worked on the program for the last three years. The GC/CM methodology provides the most expeditious and cost effective way to produce the project. Team owners were introduced.

Steve Kolberg provided an overview of the project scope. The approximate size of the replacement hospital is 171,000 square feet. The total cost with sales tax and contingency is \$94.3 million. A site plan of the Southridge Campus was displayed. The full 40-acre campus will be master planned to accommodate the District's needs for the next 50 years. Mr. Kolberg identified access points, parking, loading docks, ambulance entry, and the helipad. A new medical office building (MOB) will be constructed adjacent to the hospital accommodating physician offices and related services. The intent is ensuring MOB space is connected to the hospital facility.

Mike Day reviewed project components justifying the use of the GC/CM alternative delivery method:

- Design phase needs collaboration between the owner, architect, and GC/CM: Integration of budget, schedule, and quality assurance.
- Acute care replacement hospital complexity.
- Challenging site logistics and phasing requirements, such as MOB's adjacency to KGH, simultaneous construction, and common site access and infrastructure.
- GC/CM's strong medical construction background is vital.

Mr. Day provided additional information concerning the project team's GC/CM knowledge and construction experience, which is extensive, and the proposed management plan.

Mr. Barnes said that securing FHA/HUD 242 financing for the project is critical to its success. That type of financing also offers the lowest cost option for District residents. The owner is interested in working with

local contractors and maximizing minority outreach opportunities. The GC/CM process is critical for meeting early occupancy of the hospital.

Joe Kunkel reviewed the project budget. The estimated project construction cost of \$63.7 million is reasonable based on the square footage, current environment, and the market. It does not include the MOB but does include the MOB space Kennewick will occupy in the ground floor of the hospital and the 171,000 square feet. The equipment budget accounts for existing equipment that will be moved to the new site. Other related costs account for licenses and applications moving forward. The District is scheduled to replace information technology systems within the existing site. The budget for other related project costs reflects only those items necessary for the new building.

Mr. Barnes reported feasibility consultants were hired. Feasibility, bond, and FHA consultants indicate the District has a strong program to present to FHA. The owner is optimistic. The executive team and board members are traveling to Washington, D.C. on June 1, 2009 for the first hearing with FHA.

A slide outlining project milestones was presented. The construction schedule spans approximately 15.5 months. Substantial completion will be followed by a three-month owner acceptance and testing period. Mr. Day reported the site is dirt ready with utilities and infrastructure in place.

Mr. Day referred to a project management and design team strategy and a leadership and responsibilities matrix.

Ms. Riley-Hall asked how the owner will proceed if the PRC does not approve the application for GC/CM. Mr. Barnes advised that the owner would bid the project, which will elongate the planning process. The hospital does not have critical resources upfront to maintain the cost structure. Mr. Kolberg added that KGH is also required to obtain a guaranteed maximum construction price (GMP) for the final costs for the new facility before it can secure HUD funds. To acquire GMP, the district needs to provide completed, detailed, and bid-ready architectural and construction documents (CDs) at 90%.

Discussion ensued on the critical timeline to reach GMP. The HUD process can take up to a year. Mr. Barnes said a GC/CM could assist with streamlining the processes enabling the hospital to get on the ground faster. Mr. Kolberg pointed out that the program has been established. Massing is underway currently.

Discussion followed on the burn rate associated with the 15.5-month construction period. Mr. Day pointed out that the owner will benefit from involving the GC/CM early in the procurement process. The GC/CM could provide guidance on early packages (site, foundation) prior to a shell finishing package, as well as assisting with final maximum allowable construction cost (MACC) negotiations.

Mr. Marberg expressed concerns about the schedule. A GC/CM review of 90% CDs followed by the issuance of 100% CDs takes longer than a week. Mr. Day responded that the schedule represents a road map or a starting point. For the constructability review, request for proposals (RFP) and contracts the owner envisions a collaborative approach with the GC/CM throughout the entire process. If major items are discovered concerning the constructability review (between 90%-100% documents), the owner will work with the GC/CM partner to issue appropriate addendum documentation to ensure fully integrated plans and constructability questions addressed.

Panel Chair Davis asked about alternative funding in the event the hospital is unable to secure FHA/HUD funding for the project. Mr. Barnes advised that the owner will have to reassess the future of any project, which would be less than half of what's been presented. The voters will not support a tax-based election.

Panel Chair Davis recognized concerns from members regarding the schedule. He asked whether any contingencies have been included if the team is unable to meet the schedule. Mr. Kolberg said the team is currently struggling with a test fit for the program to the square footage. Concurrently, there are structural engineering, mechanical, and electrical systems that are proven and tested. The team took steps to reach a schematic design quickly.

Mr. Day commented that the resources available through the architectural team are substantial.

Discussion ensued on the role of the GC/CM coordinating the patient move and relocating existing equipment from the current facility to the new hospital.

Mr. Lovell expressed concern involving negotiating the MACC. He asked whether the goal is to have the MACC for the entire project negotiated and in place before the release to proceed and if it's a HUD requirement. Mr. Day replied that the owner understands the APW procurement process. The schedule reflects a four-week timeframe from 90% CDs to the issuance of bidding all the packages. Documents are fully developed and ready to bid. A GC/CM partner can assist with the bid packaging strategy and developing a procurement plan. One issue is the length of time for the MACC. The owner and team will evaluate the early release of packages. The owner desires to have both the hospital and MOB open simultaneously.

Joe Kunkel said a third party developer will complete the MOB. KGH may be an owner of the ground floor condo and the developer will undertake a feasibility study for physician demand for the top 2-3 floors for supporting the hospital. An expectation is that the RFP for a developer will go to the market by the end of next week. The objective is to create an integrated facility.

Mr. Lovell asked whether construction of the MOB is a separate project. Mr. Kunkel replied that it is a separate project. Mr. Lovell asked whether financing aspects will run parallel with the pre-construction efforts in conjunction with RCW 39.10. Mr. Day affirmed that's correct. It was confirmed that the hospital cannot start the project without HUD financing. Mr. Day said the team will look at early site and foundation packages, which are fairly limited scope items.

In response to a question on funds allocated for pre-construction services, Mr. Day said pre-construction services that are part of the GC/CM are integrated into the \$63.7 million estimated project construction costs.

In response to a request from Mr. Marberg, Mr. Kolberg provided additional information on the experience of Petersen Kolberg & Associates on working with large GC/CM contractors.

Panel Chair Davis invited comments from the public.

Mr. Kemble asked how many patients will be moved and if the existing facility will remain a hospital. Mr. Barnes said KGH has 101 licensed beds. Seventy-four acute beds will be moved to the new site. The District will continue to operate 27 beds for women and children's services at the Auburn Campus. Administrative services, such as billing, will also remain at the Auburn Campus. At this point, KGH will function as a split campus.

Mr. Benson asked how the owner will attract qualified GC/CMs to Kennewick, and whether there are unusual or special qualifications that might limit the ability of contractors submitting bids on the project. Mr. Day advised that there are no unusual special qualifications. The District is looking for the most qualified GC/CM to partner with the hospital.

Ms. Deakins asked Mr. Kolberg to clarify his GC/CM experience as it relates to RCW 39.10. Mr. Kolberg said a majority of the firm's GC/CM work has been in Oregon. He said he envisions using the same process in assembling the design team and contractor for the project.

Ms. Koal asked whether the MOB project is privately funded. Mr. Barnes affirmed that it's funded privately.

Members offered the following comments:

- The team is experienced. Challenges include schedule and budget. The owner is prepared to look at early bid packages for major systems within the building and move forward on related bid documents, which will be integrated into the MACC. Several members shared that the project is appropriate for the GC/CM delivery model.
- The application package and responses to the questions were good. An initial concern involving funding was the primary driver for requesting the GC/CM methodology. The project is complex. The GC/CM will play a critical role in the overall phasing and coordination of a shared site with shared common space.
- Utilizing the GC/CM strategy is the best way to ensure a successful outcome. The schedule is ambitious.
- There isn't a more important public institute in this area of Washington State than KGH. The schedule is aggressive but doable.
- The KGH is important to the community. The only item on the project evaluation checklist creating some concern is necessary and appropriate funding and time to carry out the project. However, that doesn't stop the PRC from approving a project. Funding is the most difficult thing to achieve. If funding doesn't occur, plans won't move forward.

Phil Lovell moved, seconded by Darron Pease, to approve the Kennewick General Hospital project application for GC/CM. Motion carried unanimously.

Adjournment

Penny Koal moved, seconded by Phil Lovell, to adjourn the meeting at 11:41 a.m. Motion carried.